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July 28, 2005

The Honorable Tom Davis
Chairman
Committee on Government Reform
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Davis:

I am writing to renew my request of June 30, 2005, for a Committee investigation into reports of egregious waste under contracts awarded and administered by the Department of Homeland Security, and to share additional information regarding these reports. In my June 30 letter, I described allegations of excessive charges and poor oversight on a contract awarded by the Transportation Security Administration (TSA) to assess and hire airport passenger screeners. One expenditure that auditors questioned was a \$24 million no-bid subcontract awarded to Eclipse Events, Inc., which included \$5.4 million paid to Eclipse's CEO for nine months work. Another questioned expense was the rental of space at luxury hotels such as the Marriott Marquis, Millennium Broadway, and Waldorf-Astoria in New York City.

As discussed in my June 30 letter, auditors found massive waste and potential fraud in the Eclipse subcontract. Today's *Washington Post* provides more details regarding the waste of taxpayer dollars by Eclipse. Among the expenses questioned by auditors were first-class airfare, valet parking, and dry cleaning.¹ In addition, "[s]ome Eclipse workers would fly home for weekends and keep their hotel rooms, billing the company, and ultimately the government, for unused rooms."² Eclipse employees also reportedly took cash advances against government accounts and "used the cash as tip money for hotel staffers and others."³

There is also information indicating that hotels were selected without regard to obtaining the best value for the government. According to an account in the trade publication *Meetings & Conventions*, after HelmsBriscoe, a site-selection subcontractor, issued a request for proposals to

¹ *Subcontractor's Story Details Post-9/11 Chaos*, Washington Post (July 28, 2005).

² *Id.*

³ *Id.*

hotels for meeting space and rooms, the first hotel to respond was awarded the contract, without any negotiation. According to this account, "There is no room for negotiation. The hotel that meets the requirements and responds first is the one that gets the contract."⁴

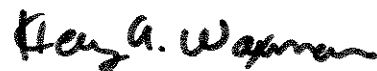
This practice was adopted despite the fact that other hotels were interested in submitting competing bids that could have resulted in lower costs to the government. According to a TSA spokesperson, "We had hotels calling us on our press line all day asking how they could get involved."⁵ Nonetheless, competing bids were not entertained, even though some were submitted just minutes after the initial bid.⁶ According to the article, Marriott International "lost an opportunity by 37 minutes."⁷ A Marriot official protested this practice, stating, "I don't want to operate where just because we reply 15 minutes later than someone else, we are out of the game."⁸ Marriott officials confirmed the accuracy of the published account in recent conversations with minority staff.

In a conversation with my staff, HelmsBriscoe officials stated that the practice of awarding the contract to the first bidder was necessary because the TSA gave very short notice and had complex, demanding minimum requirements.

These new revelations underscore the problems with Department of Homeland Security contracting described in my prior letter. I therefore renew my request that the Committee exercise its oversight responsibilities by investigating allegations of contract abuses involving the Department. As a first step, the Committee should send a request to the Department of Homeland Security for all completed audits and reports that raise questions about contractor billing and performance, including audits and reports by the Defense Contract Audit Agency and the Homeland Security Inspector General.

I also renew my request that the Committee hold hearings on the waste and misuse of taxpayer funds by the Department of Homeland Security and its contractors.

Sincerely,



Henry A. Waxman
Ranking Minority Member

⁴ *One Sweet Deal*, Meetings & Conventions (June 2003)

⁵ *Id.* (quoting Heather Rosenker, TSA spokesperson).

⁶ *Id.*

⁷ *Id.*

⁸ *Id.* (quoting Mike Beardsley, senior vice president of field sales for the U.S. and Canada, Marriott International).